Financial Statements Hotel Property Fund (Syndicate 2) Limited

For the period from 31 January 2011 to 29 January 2012

Registered number: SC292735

Company Information

Directors	J A Brown C J Paton C E Dickson A Higgins W Paisley
Company secretary	HBJG Secretarial Limited
Company number	SC292735
Registered office	Exchange Tower 19 Canning Street EDINBURGH EH3 8EH
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1-4 Atholl Crescent EDINBURGH EH3 8LQ
Bankers	Bank of Scotland 3-5 Albyn Place ABERDEEN AB10 1PY
Solicitors	HBJ Gateley LLP Exchange House 19 Canning Street EDINBURGH EH3 8EH

Contents

Directors' report

For the period ended 29 January 2012

The directors present their report and the financial statements for the period ended 29 January 2012.

Principal activities and business review

The principal activity of the company during the year was that of the operation of a hotel.

Financial overview
Turnover for the period to 29 January 2012 amounted to £3 million, a further increase of £0.2 million on the prior period. The profit before tax fell marginally by £18k to £0.12 million.

With both the trading performance and asset improvement programme progressing well, the directors are of the opinion that the company will establish itself fully in its target market.

Financial performance
Financial performance during the period has been analysed as follows:

Financial performance	**Period from 31 January 2011 to 29 January 2012**	Period from 1 February 2010 to 30 January 2011	Change
	£000	£000	%
Turnover	**2,963**	2,795	6.0
Gross Profit	**2,622**	2,483	5.6
Profit before tax	**123**	141	(12.8)

Strategy
The company strategy during the period continues to be that of striving to position the hotel and its associated facilities as one of choice for the business and leisure guest. This strategy is underpinned by the complete refurbishment of the property following acquisition together with significant resources devoted to staff training and development.

Turnover
Sales increased by 6.0% over the prior period.

Gross profit
A gross margin of 88.5% was achieved in the period against the prior period of 88.8% and expectations of 89.4%.

The forward view remains relatively positive with continued effort being focused on the supply chain to ensure maximum efficiencies. Inflationary pressures on global commodity purchases may have a limited adverse impact.

Operating costs
Operating costs have increased by £167k to £2.32 million, with the overall spend worsening slightly at 78.3% of turnover compared to 77.1% in the prior period.

Despite the company's ability to control expenditure and maximise efficiencies as turnover rises, the inevitable inflationary pressures have edged the cost base upwards.

Directors' report
For the period ended 29 January 2012

Capital expenditure
The directors continue to embark upon a sustained programme of asset management and improvement by ensuring adequate sums are available to refurbish and maintain the hotel property to a high level to ensure guest satisfaction and efficiency of operation.

Capital expenditure during the period amounted to £93k.

The level of investment is key to maintaining the property in good order to retain existing and attract new customers.

Summary of key performance indicators	**Actual**	Prior Period
Gross profit margin (%)	**88.5**	88.8
Capital expenditure (£000)	**93**	4

Future developments for the business / Future outlook
The directors continue to review the competition and seek opportunities for growth. They believe that through continual strategic investment both in the properties and staff through training and development that a competitive edge will be maintained enabling future growth of the company.

Whilst there are mixed views on the general economy, it is the directors' belief that current sales and trading profit levels will again be maintained.

Principal risks and uncertainties
The management of the business and nature of the company's activities are subject to a number of risks.

The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all of the risks identified below. Where possible, processes are in place to monitor and mitigate such risks. The directors have set out below the principal risks facing the business.

Economic downturn
The success of the business is in part dependent upon business and consumer spending. A marked reduction in such spending will impact on company income, however minor fluctuations will have little effect.

In response to this risk, senior management review economic conditions, specifically within the local market and more generally within the wider economy. Should severe downturns be predicted or occur, marketing and pricing strategies would be modified to reflect the new market conditions.

Finally and importantly, operational efficiency of the business is also continually monitored and challenged to ensure that best value is extracted from all areas.

Competition
Local competition exists. As a result pressure may be applied to pricing and/or the level of service provided to customers. Diligent and continuous market research of prices, offerings and forthcoming events is in place to ensure this risk is minimised.

Product
Due to the market in which the company operates the quality of the offering to the guest is of prime importance. Accordingly should any of the guest areas fall into a state of disrepair there is a risk of losing business.

To mitigate this risk the directors and senior management operate an asset management programme to ensure the property is maintained to a high level ensuring guest satisfaction and operational efficiency.

Directors' report

For the period ended 29 January 2012

Results

The profit for the period, before taxation, amounted to £123,000. The directors have not recommended a dividend.

Financial risk management objectives and policies

The company is funded by financial instruments including loans, cash and operational items, such as trade debtors and trade creditors which have inherent financial risk. The Board prudently manages these financial risks in the manner shown below. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

Financial Risk
Financial risk encompasses currency risk, price risk, liquidity risk, insurance risk and interest rate risk. The company's policies for managing the fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Interest rate risk

The interest rate risk is mitigated by having in place a ladder swap arrangement of £7m which is shown as fixed as current rates are below the lower rung of the swap. The interest rate exposure of the financial assets and liabilities of the company at 29 January 2012 is shown in the table below. The table includes trade debtors, trade creditors and intercompany balances as these do not attract interest and are therefore subject to fair value interest rate risk.

Interest rate risk	**Fixed £000**	**Floating £000**	Zero £000	Total £000
Financial assets	-	-	-	-
Cash	-	2	-	2
Amounts owed by group undertakings	-	-	371	371
Trade debtors	-	-	64	64
	-	2	435	437
Financial liabilities				
Overdrafts	-	207	-	207
Bank loans	7,000	2,935	-	9,935
Amounts owed to group undertakings	-	-	7	7
Trade creditors	-	-	90	90
	7,000	3,142	97	10,239

Liquidity risk
The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by a group offset arrangement.

Currency risk
The company is not exposed to currency risk as all transactions and balances are denominated in sterling.

Price risk
The company is not exposed to price risk as it does not hold any financial instruments subject to pricing by third parties.

Directors' report

For the period ended 29 January 2012

Credit risk
The company's principal financial assets are cash, trade debtors and balances with group undertakings. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit rating agencies. The credit risk associated with the balances with group undertakings is limited as the counterparties are under common control. The principal credit risk arises therefore from its trade debtors. In order to manage credit risk the directors set limits for customers based on references from an independent credit reference agency. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

The company has entered into a cross company guarantee with its fellow subsidiaries, Speedbird Developments Limited, Huntingtower Hotel (Perth) Limited and Hotel Property Fund (Syndicate 1) Limited. If there is a default on these borrowings the company may be required to make good. At 29 January 2012 the total amount outstanding on the borrowings was £20.8 million. The directors believe the financial condition of the fellow subsidiaries is such that this guarantee will not be called upon.

Insurance risk
The directors put in place appropriate insurance policies in the following areas: property, employer and public liability, consequential loss and director and officer cover. Annual reviews are undertaken to ensure that cover is maintained and in appropriate areas and at levels sufficient to protect the business.

Directors

The directors who served during the period were:

J A Brown
C J Paton
C E Dickson
A Higgins
W Paisley

Fixed assets

The property was independently valued during August 2010 by Colliers International at a value in excess of the carrying value in the financial statements. The directors are of the opinion that the open market value of the hotel property continues to be in excess of the carrying value in the financial statements at the Balance sheet date

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report

For the period ended 29 January 2012

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.

Colin J Paton
Director

Date: 22 June 2012

Grant Thornton

Independent auditor's report to the members of Hotel Property Fund (Syndicate 2) Limited

We have audited the financial statements of Hotel Property Fund (Syndicate 2) Limited for the period ended 29 January 2012, which comprise the Profit and loss account, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 January 2012 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Grant Thornton

Independent auditor's report to the members of Hotel Property Fund (Syndicate 2) Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

ROBERT HANNAH (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Edinburgh

Date: 27/6/12

Profit and loss account

For the period ended 29 January 2012

	Note	2012 £000	2011 £000
Turnover	2	**2,963**	2,795
Cost of sales		**(341)**	(312)
Gross profit		**2,622**	2,483
Administrative expenses		**(2,322)**	(2,155)
Operating profit	3	**300**	328
Interest payable and similar charges	5	**(177)**	(187)
Profit on ordinary activities before taxation		**123**	141
Tax on profit on ordinary activities	6	**(28)**	(32)
Profit for the financial period	15	**95**	109

All amounts relate to continuing operations.

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account.

The notes on pages 11 to 21 form part of these financial statements.

Balance sheet

As at 29 January 2012

		29 January 2012		30 January 2011	
	Note	**£000**	**£000**	£000	£000
Fixed assets					
Tangible assets	7		**8,613**		8,798
Current assets					
Stocks	8	**19**		14	
Debtors	9	**496**		502	
Cash in hand		**2**		1	
		517		517	
Creditors: amounts falling due within one year	10	**(790)**		(1,010)	
Net current liabilities			**(273)**		(493)
Total assets less current liabilities			**8,340**		8,305
Creditors: amounts falling due after more than one year	11		**(9,854)**		(9,936)
Provisions for liabilities					
Deferred tax	13		**(96)**		(74)
Net liabilities			**(1,610)**		(1,705)
Capital and reserves					
Called up share capital	14		**109**		109
Profit and loss account	15		**(1,719)**		(1,814)
Shareholders' deficit	16		**(1,610)**		(1,705)

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

John A Brown
Director

Date: 22 June 2012

The notes on pages 11 to 21 form part of these financial statements.

Cash flow statement

For the period ended 29 January 2012

	Note	2012 £000	2011 £000
Net cash flow from operating activities	17	**599**	261
Returns on investments and servicing of finance	18	**(177)**	(187)
Capital expenditure and financial investment	18	**(93)**	(4)
Cash inflow before financing		**329**	70
Financing	18	**(81)**	(79)
Increase/(Decrease) in cash in the period		**248**	(9)

Reconciliation of net cash flow to movement in net funds/debt

For the period ended 29 January 2012

	2012 £000	2011 £000
Increase/(Decrease) in cash in the period	**248**	(9)
Cash outflow from decrease in debt and lease financing	**81**	79
Movement in net debt in the period	**329**	70
Net debt at 31 January 2011	**(10,469)**	(10,539)
Net debt at 29 January 2012	**(10,140)**	(10,469)

The notes on pages 11 to 21 form part of these financial statements.

Notes to the financial statements

For the period ended 29 January 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Although the balance sheet records that the company had net liabilities at 29 January 2012, these financial statements have been prepared on a going concern basis. The hotel was acquired on 19 April 2006 and subsequently closed for complete refurbishment between September and early December of that year. Upon reopening, the company has traded strongly as it re-establishes itself within the Glasgow market. Additionally, the directors are of the opinion that the value of the land and hotel property is considerably in excess of its carrying value in the financial statements.

The directors have prepared plans and forecasts which indicate that the company will trade more profitably in future years, generating sufficient cash resources to continue to remain well within its agreed facilities meeting its normal trading liabilities and loan repayments as they fall due.

Accordingly, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

1.2 Turnover

Turnover arises from the provision of accommodation, food and beverage sales, corporate events, leisure club memberships, room hire and associated services. Revenue is recognised when the respective service has been fully provided.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	Freehold land and core buildings are not depreciated, non-core buildings element 2% per annum
Fixtures & fittings	-	6.5% - 20% straight line

Expenditure on repairs and renewals is charged to the profit and loss account at the time of expenditure. Major refurbishment projects forming part of the planned programme of maintaining the properties in a good state of repair are capitalised at costs under the appropriate asset category and depreciated in accordance with the accounting policy. Any net book value attributable to the asset concerned is written off to the profit and loss account when refurbishment takes place.

Finance costs that are directly attributable to the refurbishment or extension of an asset whilst the asset was in development and not revenue generating are capitalised as part of the cost.

Notes to the financial statements
For the period ended 29 January 2012

1. Accounting policies (continued)

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods.

The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

1.5 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.7 Pensions

The company operates a stakeholder pension scheme on behalf of its employees. No contributions were made by the company during the period.

1.8 Financial Instruments

The only equity instruments the company has are ordinary shares which do not have any terms which require them to be classified as financial instruments. Dividends and distributions relating to equity instruments are debited direct to equity.

Financial liabilities are classified according to the contractual arrangements entered into. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Notes to the financial statements
For the period ended 29 January 2012

2. Turnover

An analysis of turnover by class of business is as follows:

	2012 £000	2011 £000
United Kingdom	**2,963**	2,795

All turnover arose within the United Kingdom.

3. Operating profit

The operating profit is stated after charging:	2012 £000	2011 £000
Depreciation of tangible fixed assets - owned by the company	**268**	257
Auditors' remuneration	**6**	6
Loss on disposal	**10**	-

During the period, no director received any emoluments (2011 - £NIL).

4. Staff costs

Staff costs were as follows:

	2012 £000	2011 £000
Wages and salaries	**905**	847
Social security costs	**58**	63
	963	910

The average monthly number of employees, including the directors, during the period was as follows:

	2012 No.	2011 No.
Hotel Staff and Management	**69**	65

5. Interest payable

	2012 £000	2011 £000
On bank loans and overdrafts	**177**	187

Notes to the financial statements

For the period ended 29 January 2012

6. Taxation

	2012 £000	2011 £000
Analysis of tax charge in the period		
Current tax (see note below)		
UK corporation tax charge on profit for the period	6	-
Deferred tax (see note 13)		
Origination and reversal of timing differences	22	32
Tax on profit on ordinary activities	28	32

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 26.33% (2011 - 28%). The differences are explained below:

	2012 £000	2011 £000
Profit on ordinary activities before tax	123	141
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.33% (2011 - 28%)	32	39
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2	-
Capital allowances for period in excess of depreciation	5	(39)
Non qualifying depreciation	3	-
Rate differences	(2)	-
Relief for losses brought forward	(34)	-
Current tax charge for the period (see note above)	6	-

Factors that may affect future tax charges

The company has tax losses of £nil (2011: £286k) available to carry forward to be set against future taxable trading profits.

Notes to the financial statements
For the period ended 29 January 2012

7. Tangible fixed assets

	Freehold property £000	Fixtures & fittings £000	Total £000
Cost			
At 31 January 2011	6,112	3,740	9,852
Additions	-	93	93
Disposals	-	(49)	(49)
At 29 January 2012	6,112	3,784	9,896
Depreciation			
At 31 January 2011	55	999	1,054
Charge for the period	12	256	268
On disposals	-	(39)	(39)
At 29 January 2012	67	1,216	1,283
Net book value			
At 29 January 2012	6,045	2,568	8,613
At 30 January 2011	6,057	2,741	8,798

Included within the cost of £9,852k is interest incurred during the refurbishment of a property amounting to £106k (2011: £106k). Interest capitalised during the year amounts to £nil (2011: £nil).

8. Stocks

	2012 £000	2011 £000
Goods for resale	19	14

9. Debtors

	2012 £000	2011 £000
Trade debtors	64	54
Amounts owed by group undertakings	371	373
Other debtors	2	-
Prepayments and accrued income	59	75
	496	502

Notes to the financial statements

For the period ended 29 January 2012

10. Creditors: Amounts falling due within one year

	2012 £000	2011 £000
Bank loans and overdrafts	288	534
Trade creditors	90	113
Amounts owed to group undertakings	7	-
Corporation tax	6	-
Social security and other taxes	72	70
Other creditors	150	140
Accruals and deferred income	177	153
	790	1,010

The company has granted a standard security in favour of the Bank of Scotland over its freehold property and a bond and floating charge over the whole assets of the company.

11. Creditors: Amounts falling due after more than one year

	2012 £000	2011 £000
Bank loans	9,854	9,936

The company has granted a bond and floating charge over the company's assets in favour of the Bank of Scotland. The company has also granted a standard security over its freehold property to secure the borrowings of Huntingtower Hotel (Perth) Limited, Hotel Property Fund (Syndicate 1) Limited and Speedbird Developments Limited, all fellow subsidiaries.

The principal terms of the bank loans can be summarised as follows:

The company's facilities provided by Bank of Scotland amounting to £9.8m, which mature during December 2021, bear interest at an overall rate of base rate plus 1%. In addition a ladder swap arrangement was put in to protect against interest rate movements on £7m of term debt. The interest rate on this instrument before the bank's margin is currently 4.90%. Capital repayments during the period amounted to £81k (2011: £79k).

Notes to the financial statements

For the period ended 29 January 2012

12. Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows:	2012 £000	2011 £000
Amounts repayable:		
In one year or less or on demand	**81**	79
In more than one year but not more than two years	**82**	79
In more than two years but not more than five years	**250**	246
In more than five years	**9,522**	9,612
	9,935	10,016

	2012 £000	2011 £000
Wholly repayable within five years:		
Repayable by instalments	**412**	404
	412	404
Not wholly repayable within five years:		
Repayable by instalments	**453**	542
Repayable other than by instalments	**9,070**	9,070
	9,523	10,016
	9,935	10,016

13. Deferred taxation

	2012 £000	2011 £000
At beginning of period	**74**	42
Charge for period	**22**	32
At end of period	**96**	74

Notes to the financial statements
For the period ended 29 January 2012

13. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2012 £000	2011 £000
Excess of taxation allowances over depreciation on fixed assets	**96**	111
Tax losses carried forward	**-**	(37)
	96	74

14. Share capital

	2012 £000	2011 £000
Authorised, allotted, called up and fully paid		
109,100 Ordinary Shares shares of £1 each	**109**	109

15. Reserves

	Profit and loss account £000
At 31 January 2011	**(1,814)**
Profit for the period	**95**
At 29 January 2012	**(1,719)**

16. Reconciliation of movement in shareholders' deficit

	2012 £000	2011 £000
Opening shareholders' deficit	**(1,705)**	(1,814)
Profit for the period	**95**	109
Closing shareholders' deficit	**(1,610)**	(1,705)

Notes to the financial statements

For the period ended 29 January 2012

17. Net cash flow from operating activities

	2012 £000	2011 £000
Operating profit	**300**	328
Depreciation of tangible fixed assets	**268**	255
Loss on disposal of tangible fixed assets	**10**	1
Increase in stocks	**(5)**	(6)
Decrease/(increase) in debtors	**3**	(7)
Decrease/(increase) in amounts owed by group undertakings	**2**	(273)
Increase in creditors	**14**	26
Increase/(decrease) in amounts owed to group undertakings	**7**	(63)
Net cash inflow from operating activities	**599**	261

18. Analysis of cash flows for headings netted in cash flow statement

	2012 £000	2011 £000
Returns on investments and servicing of finance		
Interest paid	**(177)**	(187)

	2012 £000	2011 £000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(93)**	(4)

	2012 £000	2011 £000
Financing		
Repayment of loans	**(81)**	(79)

Notes to the financial statements
For the period ended 29 January 2012

19. Analysis of changes in net debt

	31 January 2011 £000	Cash flow £000	Other non-cash changes £000	29 January 2012 £000
Cash at bank and in hand	1	1	-	2
Bank overdraft	(454)	247	-	(207)
	(453)	248	-	(205)
Debt:				
Debts due within one year	(80)	79	(80)	(81)
Debts falling due after more than one year	(9,936)	2	80	(9,854)
Net debt	(10,469)	329	-	(10,140)

20. Derivatives

At the year end the company had a ladder swap arrangement on one of its loans which has been fair valued at £(1,076)k at 29 January 2012 (2011: £(817)k). The balance sheet value of this instrument is £nil (2011: £nil).

21. Contingent liabilities

The company and its fellow subsidiaries Huntingtower Hotel (Perth) Limited, Hotel Property Fund (Syndicate 1) Limited, and Speedbird Developments Limited have entered into all sums cross guarantees in the period ended 28 January 2007, in respect of indebtedness of these companies to Bank of Scotland. The total indebtedness at 29 January 2012 with Bank of Scotland was £20.8m (2011: £21.7m), including the company's own bank overdraft of £207k (2011: £454k) and bank loans of £10m (2011: £10m).

22. Capital commitments

The directors have confirmed that there were no capital commitments at 29 January 2012 or 30 January 2011.

23. Ultimate parent undertaking and controlling party

The ultimate holding company is Etchecan Limited, a company registered in Scotland.

Notes to the financial statements

For the period ended 29 January 2012

24. Related party transactions

The company was owed £371k by other group companies at 29 January 2012 (2011: £373k). The company owed £7k to other group companies at 29 January 2012 (2011: £nil). During the year, the company paid £186k (2011: £176k) to a fellow subsidiary in respect of management services provided to it during the year.

No other transactions with related parties were undertaken such as are required to be disclosed under FRS 8.

The company is controlled by J A Brown and C J Paton, directors of the company as a result of their controlling interest in Etchecan Limited.